

## **2013 BUDGET LEGISLATION FISCAL NOTE**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
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**Legislation Title:** AN ORDINANCE relating to the Seattle Center Department; adopting a fee schedule from which the Seattle Center Director is authorized to set fees for 2013 and 2014 for use of Seattle Center facilities and property; adopting policies for use of Seattle Center facilities and event related service agreements; adding a new Section 17.16.005 to the Seattle Municipal Code; and amending Sections 17.16.010, 17.16.015, 17.16.020, 17.16.030, and 17.16.033 of the Seattle Municipal Code.

### **Summary of the Legislation:**

The proposed legislation amends the fees and policies for events at Seattle Center. First, the legislation increases the ranges of fees that Seattle Center can charge for events at various facilities on campus, adds authority for the Director to set use fees higher than the top end of the range for specific High Value Dates (defined in Attachment A), and defines a new type of KeyArena Spectator Event (Attachment A). Second, the legislation amends the facility use policies for events (Attachment B). The most significant policy change is to extend the Department's authority to collect Facility Surcharges to for additional types of events and at additional facilities. The purpose all of the above changes is to provide Seattle Center with needed flexibility to respond to market conditions, negotiate with commercial clients, and maximize the numbers of events and revenue for the Department. Finally, the legislation makes several changes for clarity and readability, including updating facility names, removing definitions no longer needed, moving several definitions from Attachment B to the main Ordinance or to Attachment A, and updating language referring to Seattle Center Productions Events.

### **Background:**

As part of the biennial budget process, Seattle Center adjusts facility fees and facility charges across the campus. The fees for events are structured within ranges, and the Department is requesting minor adjustments to these existing ranges to allow the Center to stay competitive in the marketplace and maximize revenue. Adjusting the event fee ranges provides the Director with discretion to raise fees if the current event market allows the increase. In other words, when the Director becomes aware of market factors that will allow facility rental rates to be raised and still be competitive, a new rate schedule will be published. Alternatively, if the economy worsens, or if research indicates that a target client group is not being attracted, the Director may revise the rate schedule to lower fees within the adopted ranges in order to attract and retain business. Incentive fees for limited time periods may also be offered to stimulate interest in facilities. Rates may vary by event type, but all clients will pay the same facility rate when other conditions are identical (i.e., clients use the same facility for the same type of event for the same number of days).

In addition to the changes in fee ranges noted above, the Department is adding authority to collect Facility Surcharges on Spectator Events in any Facility, where previously this authority only covered KeyArena and McCaw Hall. The Department is also including consumer shows as an Event type that may also be subject to Facility Surcharge in any Facility. As Seattle Center's business grows on the grounds and in campus spaces including the renovated Armory, this authority will give the Department flexibility to generate additional revenue as new event business is developed and where market factors allow.

The Department is also adding a new definition of "High Value Date" on Attachment A for which it may charge a premium price up to 50% higher than the maximum Event Day Fee ranges for any Facility. These dates will be designated by the Director and defined as a holiday or a date on which Seattle Center is already hosting a major campus-wide event. Examples of High Value Dates include New Year's Eve and the dates of the Bite of Seattle or Rock and Roll Marathon. On these types of dates, Seattle Center has experienced high demand or high operational costs, or both. Application of premium pricing on such dates allows Seattle Center to maximize revenues when demand is high and ensure that revenues provide a sufficient return against expenses.

The legislation reclassifies certain events previously included in the Non-Ticketed Event category to the new "Self-Ticketed Events" category for KeyArena on Attachment A. Self-Ticketed Events are defined as Spectator Events where either a) admission or donations are collected at the door, or b) a pre-registration process is used by attendees, and in either case no advance ticketing services are provided by KeyArena. This legislation designates Self-Ticketed Events as a special Spectator Event category with a higher use fee range that will permit the Department to set use fees that are more in line with the overall revenues earned from Ticketed Events.

Finally, the legislation also moves the definitions of "Events" from Attachment B to the main Ordinance to distinguish between the Seattle Center's authority to enter into lease agreements under SMC 17.16.030 and agreements to which the Fee Schedule and Terms and Conditions apply, and to improve clarity and readability of the Ordinance and its Attachments. Definitions of certain types of KeyArena Spectator Events have also been moved from Attachment B to Attachment A, for the same reason. The definition of "Major Facility" in Attachment B has also been deleted, as it is no longer applicable. Also in Attachment B, language describing Seattle Center Productions Events has been updated to reflect current terminology and practice. None of these changes affect pricing or charges related to these event types.

The above policy changes will give Seattle Center added flexibility to pursue and increase its event business and revenues.

Please check one of the following:

☐ This legislation does not have any financial implications.

☒ This legislation has financial implications.

**Summary of Changes to Revenue Generated Specifically from this Legislation:**

	Revenue Source	2013 Proposed	2014 Endorsed
<b>Total Fees and Charges Resulting From Passage of This Ordinance</b>		N/A*	N/A*

**Revenue Change Notes:**

\* The Department's 2013-2014 Budget and revenue estimates do not assume additional revenue from the changes proposed in this ordinance. These changes are being requested in anticipation of potential changes in the marketplace so that the department can take advantage of an improved business climate should economic conditions allow.

**Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:**

Fund Name and Number	Revenue Source	Total 2013 Revenue	Total 2014 Revenue
- Seattle Center Operating Fund	Facility Fees	\$2,707,023	\$2,855,057
- Seattle Center KeyArena Subfund	Facility Surcharges	\$1,227,825	\$1,345,529
- Seattle Center McCaw Hall Subfund			
<b>TOTAL</b>		<b>\$3,934,848</b>	<b>\$4,200,586</b>

**Total Revenue Notes:**

Facility fees above do not include KeyArena tenant rents, which are not related to this legislation.

**Other Implications:**

- Does the legislation have indirect financial implications, or long-term implications? No.
- What is the financial cost of not implementing this legislation? Without this legislation, Seattle Center will not be able to take full advantage of market conditions to maximize revenues that support the department's operations.
- Does this legislation affect any departments besides the originating department? No.

What are the possible alternatives to the legislation that could achieve the same or similar objectives? No real alternatives exist. Facility fees and surcharges are a major component of Seattle Center revenues. If these rates do not adjust to correspond with market conditions, Seattle Center loses opportunities to maximize revenue.

- d) Is the legislation subject to public hearing requirements? No.
- e) Other Issues: None.

Please list attachments to the fiscal note below: